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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 12/15/06

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Prime Minister's schedule, December 14

NIHON KEIZAI (Page 2) (Full)
December 15, 2006

08:03

Met Deputy Chief Cabinet Secretary Suzuki at the Kantei.

09:00

Upper House Special Committee on the Basic Education Law

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12:06

Handed over a recommendation letter to a person expected to run in the Aichi Prefecture gubernatorial election at the LDP headquarters. Secretary General Nakagawa was present.

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12:41

Received the Indian prime minister and his wife at the Kantei. Then attended an event welcoming them.

13:05

National Gathering to Consider Abduction Issue held at the Hibiya Hall.

16:11

Indian Prime Minister Singh delivered a speech at the Lower House plenary session hall.

17:33

Meeting of the Council on Economic and Fiscal Policy at the Kantei. Then met Chief Cabinet Secretary Shiozaki.

19:43

Met with the chairman of the Indian Industry Federation and others at Four Seasons Hotel Chinzanso Tokyo. Then met with Singh.

20:12

Opening ceremony for the Japan-India Exchange year at Chinzanso.

22:12

Arrived at the official residence.

4) Poll: Cabinet support nosedives to 41.9%

TOKYO (Page 2) (Full)
December 15, 2006

The rate of public support for the cabinet of Prime Minister Shinzo Abe in December was 41.9%, down 9.5%age points from last month, according to findings from a Jiji Press poll released yesterday. The popularity rating for the Abe cabinet leveled off over 50% in October and November. However, it substantially dropped three months after the Abe cabinet came into office. In the survey, respondents were asked if they would support the ruling Liberal Democratic Party's reinstatement of its "postal rebels," who voted against the LDP-led government's now-enacted package of postal privatization bills in the Diet as LDP members and were ousted from the LDP. In response to this question, "no" added up to 53.2%. This problem, as well as the faking of questions for government-sponsored town meetings, is believed to have led to the sharp drop in the Abe cabinet's support rate.

The survey was conducted Dec. 7-10 across the nation on a fact-to-face basis, with a total of 2,000 persons chosen from among men and women aged 20 and over. The response rate was 67.3%.

Meanwhile, the disapproval rating for the Abe cabinet was 27.0%, up 7.2 points from last month. It has been rising since the Abe cabinet's inauguration. The top-ranking reason given for not supporting the Abe cabinet was "nothing can be expected," accounting for 13.5%, up 3.2 points from last month.

5) 'Defense Ministry' to launch next month

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NIHON KEIZAI (Page 2) (Abridged)
December 15, 2006

The House of Councillors Foreign and Defense Affairs Committee yesterday approved a government-introduced package of legislative measures to upgrade the Defense Agency to the status of a ministry, and the legislation is certain to be enacted into law in the current Diet session. The Defense Agency will hurry to prepare for its upgrading set for Jan. 9 next year. The agency, after becoming a ministry, will be empowered to present its own bills in cabinet meetings. It will now go further than to oversee the Self-Defense Forces and is enthusiastic about planning security policies on its own.

Even so, there is no knowing how far the Defense Agency can carry weight if a National Security Council is set up at the prime minister's office. There are also issues that can't wait like the planned realignment of US forces in Japan, so the agency cannot be just wild with joy over its upgrading.

The Defense Agency is currently under the Cabinet Office. Competence related to national security is vested in the prime minister, who is in charge of the Cabinet Office. The agency can only present legislative measures through the Cabinet Office. Above all, the agency, since the SDF came into being, has desired to have its own minister who is in charge of Japan's security policy.

Meanwhile, the Foreign Ministry used to take the initiative in Japan-US Security Consultative Committee (SCC) or "two-plus-two" ministerial meetings. The Defense Agency cannot attend the six-party talks over North Korea. The agency, both internally and externally, has been seen as an "accessory" to the Foreign Ministry. The agency therefore wants to wipe away such an image.

The issue of realigning the US military presence in Japan is one of the few issues initiated by the Defense Agency. Defense Agency Director General Fumio Kyuma has also underscored the necessity of implementing US military realignment in a steady way. However, there are many challenges in store, such as coordination with Okinawa Prefecture. In addition, US Secretary of Defense Rumsfeld will soon go out with his replacement coming in. The driving force of realignment is therefore feared to weaken in the United States.

The Defense Agency has yet to clear up its role sharing with the Foreign Ministry and the prime minister's office. The Foreign Ministry outwardly welcomes the Defense Agency's upgrading to a ministry. In October this year, however, North Korea conducted a nuclear test. At the time, the Foreign Ministry insisted that the event should be recognized as a "neighboring contingency," while the Defense Agency was cautious about it. The Foreign Ministry and the Defense Agency would inevitably be at odds with each other whenever there are needs for the SDF's overseas activities.

6) Defense Agency set to become ministry; Foreign Ministry alarmed at new ministry's political power and that it may take lead in security policy

ASAHI (Page 3) (Abridged slightly)
December 15, 2006

The Defense Agency, which was established in 1954, will become the

Defense Ministry in January 2007. Since the end of the Cold War, the Defense Agency and the Self-Defense Forces have conducted not only the defense of the homeland -- their main duty -- but also overseas missions, such as peacekeeping operations and joining multinational forces. The upgrade is certain to increase their political power in decision-making on security policies, as well as their responsibilities. The upgrading is likely to bring about some change in its relationship with the Foreign Ministry, which has taken the lead in the country's security policy, centering on the United States.

Defense Agency QRk>Q;Q>NQ[
2RQhe act as a "regional contingency."

The Foreign Ministry was eager to recognize it as a contingency, while the Defense Agency, aware of the US Defense Department's reluctance to conduct ship inspections, was unwilling to do so. "You cannot grasp Washington's true intention correctly unless you directly obtain information from the US Defense Department," a senior Defense Agency official explained.

Japanese and US senior foreign and defense officials met on Dec. 4 to discuss the planned relocation of Futenma Air Station from Ginowan to Cape Henoko in Nago. In the session, the US side demanded approach lights be installed at four spots on the envisaged V-shaped pair of runways so that US military aircraft would be able to fly into the runways from both ends of the runways. The Defense Agency approved two-way landings in emergency situations, and an agreement was reached with US concessions.

The upgrade will enable the "defense minister" to directly request cabinet meetings for submitting bills, allowing the Defense Agency to move from the control of the Cabinet Office. "As an office responsible for policy, the upgrade seems to require a different level of awareness," Kyuma noted. Responsibility for security policy is expected to grow.

The Foreign Ministry is increasingly alarmed at the upgrade. "The agency is still hiding its claws. If they try to nip at our heels, we will fight back," a senior Foreign Ministry official warned. The comment reflects the Foreign Ministry's fear that the "Defense Ministry" will directly collect foreign intelligence and deal with other countries independently.

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7) Gov't to present US military realignment bills

NIHON KEIZAI (Page 2) (Full)
December 15, 2006

The government and the ruling parties will hold a meeting today to consult on the planned realignment of US forces in Japan. They are expected to confirm a course of action to present a package of realignment-related legislative measures to the Diet in its ordinary session to be called in January next year. The legislation features a plan to allocate additional subsidies for municipalities accepting US military facilities.

8) USFJ realignment: 100 billion yen in new subsidies to be granted to affected local governments; Government plans to submit related bills to regular Diet session next year

MAINICHI (Page 1) (Full)
December 15, 2006

In a bid to promote the realignment of US forces in Japan, the government plans to provide fresh subsidies to affected municipalities. It yesterday started coordination of views on the size of the subsidies with the possibility of granting 100 billion yen over 10 years. It will earmark 5-6 billion yen in the fiscal 2007 budget as the first installment. In a related development, the government has firmed up a policy of submitting a set of bills

incorporating the establishment of a realignment subsidy system and other issues to the regular Session of the Diet next year. It intends to obtain approval from the ruling parties at a meeting of the government and the ruling parties to be held today to discuss the USFJ realignment at the Prime Minister's Official Residence.

The bills, which are temporary legislation with a 10-year time limit, are centered on the allocation and disbursement of the realignment subsidies and outlays for expenses for the transfer of Marines stationed in Okinawa to Guam to be shouldered by Japan.

Realignment subsidies will be granted to affected municipalities, whose burdens to host US base facilities will increase.

The government intends to urge local governments that are reluctant to the implementation of the USFJ realignment, such as Iwakuni City, Yamaguchi Prefecture, to accept the plan by earmarking realignment funds in next fiscal year's budget. For Okinawa Prefecture, in addition to providing realignment subsidies, the government plans to continue the existing northern area development policy. It aims with this approach to bring about the planned transfer of Futenma Air Station's facilities in Nago City to the coastal part of Camp Schwab.

9) In upcoming 6-party talks, US likely to propose "security guarantee" to DPRK on condition of its nuclear abandonment

NIHON KEIZAI (Page 8) (Full)
December 15, 2006

Hiroshi Maruya, Washington

The US Bush administration intends to convey to North Korea during the upcoming six-party talks set to start on Dec. 18 that it is ready to confer a security guarantee to North Korea if it drops its

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nuclear weapons programs. The joint statement released in September 2005 by the six-party talks laid out steps for normalization of diplomatic relations between the US and North Korea in the way of matching their respective policies. By reiterating the need to follow those steps, Washington aims to strongly pressure Pyongyang to abandon its nuclear programs.

President Bush has stated: "If North Korea opts for the path of peace, then the US, along with other members of the six-party talks, is ready to guarantee North Korea's security." Specifically, the US would declare an end to the Korean War, where there is presently only a truce, and also declare it is ready to initiate talks on normalization of diplomatic ties so as to sign a peace treaty.

China, the chair of the six-party talks, has sounded out the US and other members about the possibility of establishing working groups to talk about economic assistance and other measures as mentioned in the joint statement. The proposed working groups include the one for talks on diplomatic normalization. The proposals the US has made to the North include Pyongyang's acceptance of inspectors from the International Atomic Energy Agency (IAEA) and freezing its nuclear facilities at Yongbyon. Washington is readying itself to enter into substantive talks at a working group once Pyongyang comes up with a concrete response.

Even on the financial sanctions imposed on North Korea, the US has indicated a plan to launch overtures for a working group based on Pyongyang's requests. Washington is thus assuming a flexible approach in an effort to accelerate talks. US Assistant Secretary of State Christopher Hill, the chief representative to the six-party talks, stated at a press briefing on Dec. 13: "We expect tangible progress." Essential for that are measures for the implementation of the joint statement. As one tactic, the US has come up with the idea of holding overtures on the financial issue between the US and North Korea.

The US and the North are both looking for a compromise point. When asked what will be achieved definitely, Hill has repeatedly shown a cautious position, noting: "I never can tell before the start of the

talks."

China has simply conveyed to other members that the upcoming session will be a good one." But what response the North will come up with remains unclear. A rumor flying around among the countries concerned is that the US may think about a small package (small achievement).

10) Prime Minister Abe expresses resolve to prioritize abduction issue in negotiations with North Korea

ASAHI (Page 4) (Full)
December 15, 2006

The government held its first gathering to consider the abduction in Tokyo yesterday. In a speech at the gathering, Prime Minister Abe expressed his determination to give top priority to a settlement of the abduction issue in negotiations with North Korea. He said, "As long as I am in office as prime minister, I will follow without fail the principle of not responding to normalization talks unless the abduction issue is resolved." The gathering was held as part of "the week to consider North Korea's abuse of human rights (Dec.10-16)," a program starting this year. About 850 people participated in the gathering, including abductees' families.

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11) Japan to tighten regulations applicable to DPRK

YOMIURI (Page 4) (Full)
December 15, 2006

At a cabinet meeting today, the government will revise the Foreign Exchange Ordinance and the Export Trade Control under the Foreign Exchange and Foreign Trade Control Law in order to strengthen the regulations on exports to North Korea, for instance, exports of such products that could lead to production of weapons of mass destruction.

At present, in the case of exporting military convertible computers or telecommunications-related equipment to such countries as North Korea, if their prices are 50,000 yen or above, exporters are obligated to obtain permission from the minister of economy, trade and industry (METI). But the prices of those products are falling now. For instance, integrated circuits capable of decrypting are traded at prices of 5,000 yen or below, so exporters of all those products will be obligated to obtain the METI minister's permission. In addition, if domestic firms mediate trade between third countries or if they reload trade cargo from a third country's ship to another third country's ship at Japanese ports, those firms will be obligated to obtain the METI minister's permission.

12) Northern Territories issue: Japan moving to find a way out, envisioning the possibility of dividing islands into two equal parts

ASAHI (Page 4) (Excerpts)
December 15, 2006

Some in the Japanese government are moving to look for ways to resolve the long disputed Northern Territories issue between Japan and Russia, envisioning the possibility of dividing the disputed territories into two equal parts by area. Japan wants to settle the issue while the Putin administration of Russia, which is positive about resolving the issue, is in office. As part of efforts to find a clue for resolving the issue, Japan intends to use the upcoming vice minister-level strategic dialogue with Russia slated for early next year as an aid for the start of a full-fledged bilateral dialogue.

"Approximately 25% of Etorofu Island plus the remaining three islands (Kunashiri, Shikotan, and Habomai) constitute 50% of the total acreage of the four northern islands," Foreign Minister Aso stated at the Lower House Committee on Foreign Affairs meeting on Dec. 13.

On the Northern Territories issue, Japan's position has been that

the four northern islands are Japan's territory, and following that position, Japan has insisted that the four islands all be returned to Japan. Russia, however, has asserted that the issue be resolved if two islands, Habomai and Shikotan, are returned (to Japan), in accordance with the 1956 Japan-Soviet Union Joint Declaration. At the committee meeting, Aso also stated, "Adhering to either the return of two islands or the return of four islands is no more than a matter of winning or losing; consequently both sides cannot reach an accord." He thus indicated the need to look for ways to bring about a practical solution.

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On the territory issue, a bottleneck for Japan in relations with Russia, the Japanese government has recently become active. The vice minister-level strategic dialogue between Japan and Russia, which was proposed in the Japan-Russia foreign ministerial talks in November, is scheduled to take place in late January. High on agenda in the dialogue will be the territory issue. Administrative Vice Foreign Minister Shotaro Yachi, who enjoys the confidence of Prime Minister Abe and who recently achieved results in vice minister-level talks with China and South Korea, will work at the forefront in the planned dialogue with Russia.

According to a government official, this move has come against the backdrop of the government's calculation that progress on the territory issue would help boost the Abe administration. With relations with China and South Korea progressing now, some in the government have begun viewing Russia as the next centerpiece of Japanese diplomacy. "The prime minister, as well, is very eager" to promote relations, an aide to the prime minister said.

Also, another conceivable reason is that President Putin, who is willing to resolve the territory issue, is to step down from his post in the spring of 2008. During a press conference in January of this year, Putin stated: "I've begun looking for ways to resolve the issue in a way to be acceptable to both Japan and Russia."

13) Ruling camp, Minshuto reach broad agreement on revisions to referendum bill

YOMIURI (Page 2) (Full)
December 15, 2006

In a meeting of the House of Representatives' Constitution Research Council yesterday, the Liberal Democratic Party, Minshuto (Democratic Party of Japan), and the New Komeito reached a basic agreement on revisions to the referendum bill governing procedures for constitutional revision. The three parties agreed on these key points: (1) Specify the age of eligible voters for a national referendum at 18 or over in principle (at 20 or over in the transitional period); and (2) put the law into effect three years after the promulgation and during this period freeze deliberations on amending the Constitution at a constitutional review panel to be set up in the Diet.

In the meeting yesterday, LDP member Hajime Funada presented nine revisions laid out by the ruling parties.

Minshuto member Yukio Edano replied that the party will agree on five of them, saying: "Although Minshuto has called for implementation after a period of two years, the party will agree on the ruling camp's call for a period of three years." Edano also indicated a willingness to look into the remaining four proposals in a positive manner, adding, "If possible, I expect the bill to be enacted by Constitution Day on May 5 of next year." A decision was also made to continue deliberations on both plans of the ruling party and Minshuto. The three parties will soon start discussion on provisions, with the aim of enacting the bill in the ordinary session next year.

14) Bill amending Basic Education Law to be enacted today, first revision in 59 years

YOMIURI (Top Play) (Abridged slightly)

December 15, 2006

A bill to amend the Basic Education Law, the most important piece of legislation this session for Prime Minister Shinzo Abe, yesterday passed the House of Councillors Special Committee on the Basic Education Law with the approval of a majority of committee members from the two ruling Liberal Democratic Party (LDP) and its coalition partner, New Komeito. The ruling coalition plans to have the bill approved at today's Upper House plenary session and enacted.

Meanwhile, four opposition parties, including Minshuto (Democratic Party of Japan), agreed last night to prevent the legislation from passing the Diet by submitting today a no-confidence motion against the Abe cabinet. The ruling camp is considering a minor extension of the current Diet session, which ends on Dec. 15, unless the opposition changes its hard-line stance. This would be the first change in the Basic Education Law since it was enacted in 1947.

The special committee held yesterday morning a question-and-answer session with attendance of Prime Minister Abe. Following a break, it resumed the session on the evening in which opposition parties raised questions. After that, the ruling coalition submitted calling for a vote on the bill. The bill was adopted while opposition lawmakers were opposing taking a vote, gathering themselves around Committee Chairman Hiroyuki Nakasone.

The four opposition parties -- Minshuto, the Japanese Communist Party, the Social Democratic Party, and the People's New Party -- discussed last night their response in meetings their secretaries general and Diet affairs committee chairmen. As a result, the four parties agreed to submit a no-confidence motion against the cabinet to the speaker of the House of Representatives on the morning of Dec. 15. They also agreed to submit to the president of the House of Councillors a no-confidence motion against the prime minister.

In an effort to prepare for the passage of the education reform bill and other key measures, the ruling parties have started looking into the possibility of extending the ongoing session. Abe will meet this morning with the secretaries general and Diet affairs chiefs of the LDP Upper and Lower Houses to make a final decision on how many days the session should be extended.

Since the Finance Ministry will unofficially announce a draft budget for fiscal 2007 on Dec. 20, the session will likely be extended three to four days.

If the session is extended, the ruling party will reject the opposition's motion after approving the Diet extension at the Lower House plenary session this afternoon. If the opposition submits to the Upper House a no-confidence motion against a cabinet minister, the ruling coalition will kill it. The ruling coalition intends to pass the education reform bill and other bills into law before the end of the 15th. Depending on a move by the opposition, the passage of these bills may be delayed to the early hours of the 16th.

15) Opposition bloc to submit no-confident motion against Abe cabinet; Ruling camp ready to extend Diet session

NIHON KEIZAI (Page 1) (Full)
December 15, 2006

The House of Councillors' special committee yesterday approved a bill amending the Fundamental Law of Education by a majority from

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the ruling parties. The Abe administration has defined the bill as the most important one in the current Diet session. The government and the ruling coalition intends to pass the bill into law at the plenary session of the Upper House on Dec. 15, the last day of the current session. In reaction to the forcible voting, four opposition parties agreed to submit a no-confidence motion against the Abe Cabinet. The ruling bloc intends to extend the current Diet session for about three days.

As the reason for submitting a non-confidence motion, the opposition bloc said, "The government wasted tax money for stage-managing town meetings." The opposition parties are also studying a submission of a censure motion to the Upper House against the prime minister. The ruling camp stressed, "Full deliberations were conducted," but the opposition side opposed taking a vote, calling for intensive deliberations on the town meeting fiasco.

Based on the judgment that it would be difficult to persuade the opposition camp, the government and the ruling coalition presented a motion for suspending the interpretation session. Surrounded by opposition members, Chairman Hirofumi Nakasone declared that the bill was adopted.

After the voting, Prime Minister Shinzo Abe told reporters, "(Revising the law) is my long-cherished wish and a key task for the cabinet, so it was really good."

The bill includes "patriotism-oriented education," using this expression, "cultivate a mind that loves the nation and homeland." It also stipulates such concepts as "life-long learning" and "home education." The education law has not been revised since 1947.

16) Companies to get tax break worth 450 billion yen: Ruling parties' tax code revision outline attaches importance to growth; Capital investment encouraged; Individual tax payers' burden to increase due to abolition of fixed-rate tax break

NIHON KEIZAI (Page 1) (Excerpts)
December 15, 2006

The ruling parties yesterday outlined tax code revisions for the fiscal 2007. The outline features a reduction in corporate tax burdens. In order to encourage companies to make capital investment, the write-off system will be revised so that companies can report the entire amount they used for investment as a loss. The aim is to back the economic growth policy advocated by Prime Minister Abe on the tax system front. The decision this time will lead to a reduction of 450 billion yen in the corporate tax in the fiscal 2007. However, if about more than 1 trillion yen squeezed from the abolition of the fixed-rate cut in the income tax as decided last year is taken into account, taxes for the next fiscal year will be increased. Debate on a consumption tax hike and a reduction in the effective tax rate imposed on companies, which is said to be higher, compared with foreign countries, has been put off.

The government last year decided to abolish the fixed-rate tax break, which reduces the income tax and local tax individual taxpayers pay up to 290,000 yen. If over 1 trillion yen squeezed from this measure is taken into account, the tax burden of individual taxpayers and companies will increase.

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SCHIEFFER